Fairer Finance Consumer Advisory Board Annual Report 2022-23

Fairer Finance wants "to see a world where consumers trust, and even love, their banks and insurers". In pursuit of this vision, Fairer Finance uses research, product ratings and endorsements to help consumers make more informed purchase decisions. Fairer Finance also helps banks and insurers to improve their products, services and communications with their customers.

Fairer Finance's founder and Managing Director (MD), James Daley, set up the Fairer Finance Consumer Advisory Board (CAB) to oversee the work of Fairer Finance (FF) and provide independent assurance that the business does not prioritise its commercial interests over those of consumers.

Consumer Advisory Board: Purpose
The purpose of the CAB is to review the business of Fairer Finance to satisfy itself that the company's commercial relationships do not affect its analysis of firms and their products, its campaigns, its public pronouncements, or its policy advice. https://www.fairerfinance.com/about-us/our-advisory-panel

This annual report covers the year to 31st March 2023.

The CAB's work during the year

As in previous years, the CAB identified the main risks that *could* affect FF's independence. These were:

- Pressure to generate revenue influences FF's independence and opinions of firms.
- Undue pressure from clients or potential clients affects FF's independence.
- Changes to FF's methods and approach reduces its independence or weakens its opinions.
- Complaints by firms, the media or other parties influence FF's opinions.
- External factors influence FF's independence and opinions.

We assessed these risks mainly through an information and data request to FF; and evidence sessions with the MD and the Heads of Research (Dr Oliver Crawford), Consultancy (Richard Robinson) and Business Development (George Johnston).

The CAB also monitored FF's business and activities throughout the year through regular updates from the MD. In addition, the CAB Chair attended FF Board meetings as an observer.

To increase the CAB's transparency, members published a register of interests for the first time[1]. We also welcomed two new members – Caroline Barr and Walter Merricks – and said farewell to our Chair, Paul Pester, and long-standing member Otto Thoresen.

Some observations by the CAB

Fairer Finance continues to grow rapidly. At present, all new business is signed off by the MD, who also approves contractors. There may come a point at which his personal oversight of all areas of the business is no longer practicable. This raises the question of how the integrity and independence that are core to FF's business will be maintained throughout the organisation.

The Heads of Department are firmly committed to the organisational culture, and the ethical walls between the areas of business work effectively both formally and informally. There was a degree of puzzlement when we asked how they embed the culture in their teams. It is such a given that they hadn't considered the question. As the number of staff and contractors grows, we believe that managers at all levels will need to play an active part in maintaining FF's 'consumer first' culture.

Many new staff joining at a time when the organisation is under pressure also risks mistakes being made, especially at a time when the scope of FF's product ratings is increasing. FF will need to ensure it brings in staff with the right competences, and that staff are sufficiently trained for their roles.

In light of these risks, we are reassured to hear that the MD plans to formalise FF's processes and policies. This will include formal induction, documentation of processes, making the culture and values explicit and introducing formal HR policies. In addition, the Board now has a Remuneration Committee, which has organisational culture in its remit, and will approve planned changes in remuneration structures.

Key risks

1. Revenue pressures. We are satisfied that all the work FF takes on is in the consumer interest and that it will turn down proposals which are not. FF

[1] https://www.fairerfinance.com/assets/uploads/documents/FF-CAB-Register-of-interests.pdf

sometimes helps firms that create poor outcomes for their customers to do good things. This carries a reputational risk which could impact on FF business in the future, but we agree with the MD that the risk currently is small.

The Head of Business Development has a strong incentive to bring in new business. He cannot influence the outcome of ratings, which are determined objectively by others in the organisation. He may, however, skew his efforts towards the business that earns him the most commission, primarily large consultancy projects. Of itself this does not compromise integrity although it may mean that work which would be of more benefit to consumers gets a lower priority. The MD is planning to revise the remuneration structures for senior staff for the coming year. xx

2. Pressure from clients. It is not possible for firms to influence ratings directly, although there is a risk that they could influence the product rating criteria. FF reviews these once a year, and firms are invited to give feedback. In practice, few firms respond, which risks bias. However, the upcoming introduction of relationship managers may add pressure to 'please' larger clients and make it harder to uphold ratings impartiality. We have suggested two measures to help mitigate the risk of undue influence on ratings criteria. One is to anonymise the feedback. The other is to consult consumer groups on changes to methodology.

   FF was able to give examples where it had commented unfavourably on clients in the media, even at the risk of losing the business.

   Staff are not allowed to accept gifts or hospitality, the exception being attendance at industry dinners.

3. Changes in methodology or approach. Data quality is central to FF's business. Since last year, FF has taken further steps to assure itself of the quality and accuracy of external data sources. This includes checking polling and FOS complaints data to identify and question anomalies. However, FF uses aggregated FOS data, which may lead to inaccurate estimations. In addition, some firms have too few complaints to show up in the FOS data, a further source of approximation.

   Ratings 'inflation' was a key theme in last year's report. We were pleased to hear that FF continues to put a cap on the proportion of rated products receiving five stars to no more than 15% in any one product sector. Many sectors come in materially lower than this. FF only makes changes to 5-star ratings if a product changes, or if changes in methodology are needed to maintain the 15% rule.

This means that FF's ratings can differentiate more clearly between financial services products, which is more helpful for consumers.

4. Complaints. FF receives very few complaints, and we did not have any concerns about those we discussed with the MD.

5. External factors. As noted above, FF is growing rapidly. It launched new ratings in eight sectors last year. It also took on a lot of consultancy business advising on the FCA's consumer duty. As FF seeks to expand further and provide direct competition to other ratings providers, it may find that the 15% rule comes under pressure.

   At the time of writing, FF was renegotiating its contract with the Times. We are satisfied that the MD is seeking a 'consumer first' outcome. We will monitor this contract over the coming year.

The CAB's opinion for the year ending 31st March 2023

Based on the evidence it has gathered, the CAB is satisfied that the FF's commercial relationships have not affected its analysis of firms and their products, its campaigns, its public pronouncements, or its policy advice during the year.

1 June 2023

Fairer Finance Consumer Advisory Board

1. Caroline Barr (from January 2023)
2. Helene Brichet
3. Laurie Edmans
4. Sue Lewis (Chair from January 2023)
5. Paul Pester (Chair to June 2022)
6. Walter Merricks (from January 2023)
7. Otto Thoresen (to June 2022)